

complaint

This complaint is about a regular (monthly) premium payment protection insurance (PPI) policy taken out in conjunction with a credit card. Mr Y says that Royal Bank of Scotland Plc (RBS) mis-sold the policy.

background

Mr Y applied for an RBS credit card in 1998 and at the same time PPI was purchased. Mr Y has instructed a claims management company to represent him in this matter.

It is indicated Mr Y recalls speaking to someone at RBS on the telephone before completing and submitting the application form. Mr Y states he was not made aware the PPI was optional. He also states he was led to believe that taking out the policy would make it more likely that he would be approved for the credit card and that the PPI was recommended by RBS. Also Mr Y has told us that he was not provided with full information about the PPI policy.

RBS has indicated this was a postal application and the documents make clear the policy was optional. It also says it did not recommend the policy but Mr Y was provided with information with the application form to enable him to decide if he wished to take out the policy. RBS do not accept the policy was mis-sold.

An adjudicator ultimately made a recommendation that the complaint should not be upheld which Mr Y did not accept. He has requested that it be referred to an ombudsman for a decision.

my findings

I have provided only a brief summary of the complaint above but I have considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances.

In doing so, I have taken into account the law and good industry practice at the time the policy was sold.

It seems to me the relevant considerations in this case are materially the same as those set out in our well-established general approach to complaints about the sale of PPI, which is published on our website.

The key questions I need to consider therefore are:-

- whether, in giving any advice, RBS took adequate steps to ensure that the product it recommended was suitable for Mr Y's needs;
- whether RBS gave Mr Y information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying; and
- if there were any shortcomings in the way the policy was sold I then need to decide if Mr Y is worse off as a result. That is, would Mr Y be in a different position now if there had not been any shortcomings.

Not surprisingly given the sale took place quite a number of years ago, neither RBS nor Mr Y have been able to provide copies of the actual documentation that was completed at the time of the sale (RBS is not obliged to keep records indefinitely). So I can only make my decision based on the limited information provided to me by the two parties. As such, I can only decide what is *most likely* to have happened in the circumstances.

After careful consideration of all the arguments put forward and having considered the documentation which has been made available and provided, on balance I am persuaded that Mr Y's complaint should not be upheld. I have reached that conclusion for the reasons outlined below.

was it clear the policy was optional?

Mr Y has indicated through his representative that he was unaware the PPI was added to his credit agreement and did not give consent for this when he took out the policy. However it is also stated that he felt pressured to take it out as he recalls being told it was "*strongly recommended*" and would help his credit card application. In addition Mr Y states he was led to believe that without the PPI the application would not be approved and that a more favourable interest rate would be offered if PPI was purchased. Whilst I do not doubt Mr Y's testimony as an honest recollection, this was some years ago and memories do fade and can become confused. I have set this testimony in context with the sample documentary evidence which has been provided and that would have been used at the time.

It is unclear as to whether there was any discussion about the application and the policy. The parties provide conflicting information as Mr Y refers to a telephone conversation and RBS indicate this was a postal application with no record of personal contact. What there seems to be agreement upon is that Mr Y did complete a written application form. The form in use at the time offered a number of choices to Mr Y including in relation to what is called on the form "*Card Payment Protection*". This section had in equal prominence a "Yes" box to be ticked if required and a "No" box if it was not wanted. On balance, as both parties indicate Mr Y completed an application form, I am persuaded that on the form the PPI was presented as an optional choice and Mr Y chose to take it out.

If a discussion did take place I cannot be certain what was said by RBS. It would seem the form was completed by Mr Y independently after that discussion and I can see nothing in the application documentation to imply or represent that the PPI was a requirement of the credit card application. PPI was given no greater prominence than other options, such as "*Card Registration*" or "*Price Protection*" all of which were also optional and set out within the same part of the form. None of these products were shown as being required or having any bearing on determination of the credit card approval.

Whilst I accept it is possible that Mr Y felt he needed to apply for the PPI policy in order to obtain the credit card, I have not seen sufficient evidence to persuade me RBS created such an impression.

was the policy suitable?

Mr Y has indicated the policy was recommended to him. RBS says it did not make a recommendation and only provided Mr Y with information to enable him to make a choice whether to take out the policy or not. I do not intend to make a firm finding on whether RBS recommended the policy to Mr Y as this would not affect my decision. I say this because

even if RBS did make a recommendation, taking into account Mr Y's indicated circumstances, the policy appears to have been suitable for him at the time. I say this because:-

- Mr Y met the basic eligibility criteria for the policy.
- Mr Y has stated he would receive three months employment benefits in the case of sickness or illness. The PPI cover would have been paid in addition to this and enhanced this limited existing provision.
- Mr Y has not indicated he had any savings he could rely on. Thus other than the limited employment benefit he had no other apparent means with which to meet his credit card repayments, in the event he could not work.
- Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions or the self-employed), it does not appear these restrictions applied to Mr Y's circumstances, so he could have benefited from the full extent of the policy, if necessary.

was adequate information provided?

I cannot be totally satisfied in this case that RBS drew Mr Y's attention to all the significant features of the policy. But it does not automatically follow from this that I should uphold Mr Y's complaint. I need to be satisfied that Mr Y has lost out as a result. In other words, that he would have acted differently and decided not to take out the policy if RBS had clearly explained all of the policy's significant features.

I can see from the application form that there is limited information about the benefits and no cost information is set out. The policy cost 72p per £100 of the credit card balance outstanding and paid a benefit of covering 10% for a period of 12 months per claim. I cannot be certain how or whether Mr Y was given comprehensive information about the cost of the policy. I am also persuaded that he may not have been made aware of the interest bearing nature of the policy, or that premiums needed to be paid during any claim period.

So the cost and benefits may not have been totally clear to Mr Y. However, I am persuaded that Mr Y would still have decided to buy the policy even if he had been aware of these issues. I say this because at the time that Mr Y was taking on the additional financial liability of a credit card, the policy would have paid out in addition to any other source of support he could access, and I note that Mr Y accepted the costs of the cover, as it was shown on his monthly credit card statements, for several years. I have seen no evidence to indicate Mr Y questioned the premiums charged prior to cancelling the policy over ten years later.

Again I cannot be certain that the policy's exclusions and limitations were specifically drawn to Mr Y's attention, but as I have already indicated it is unlikely he would have been caught or affected by those restrictions. So on balance I do not think any shortcomings in the information would have made a difference to him decision to take out this policy.

In summary, I have found that it is *most likely* Mr Y should have been aware the policy was optional. Also as the policy was suitable for Mr Y, I am not persuaded I can safely conclude he would necessarily have taken a different course of action and chosen not to take out the policy if he had been given information that was clearer.

my final decision

Taking into account all of the above factors, I have seen no persuasive evidence that the policy was mis-sold. For the reasons outlined I do not uphold the complaint and make no award against The Royal Bank of Scotland Plc in this case.

Christine Fraser
ombudsman